GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:237
ANSWERED ON:17.03.2017
Financial Action Task Force
Mahendran Shri C.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has prohibited entities from making direct investments in any entity located in noncooperative countries and territories as identified by Financial Action Task Force (FATF) and if so, the details thereof; and

(b) whether the Government proposes to reduce the vulnerability of the financial system to money laundering by ensuring that all financial centres adopt and implement measures for the detection, punishment and prevention of money laundering according to internationally recognised standards and if so, the details thereof?

Answer

(a) and (b) statement is laid on the table of the House.

Statement referred to in reply to parts (a) and (b) of the Lok Sabha Starred Question no. 237 due for answer on 17.03.2017 regarding Financial Action Task Force.

(a) On 2nd January 2017 the Reserve Bank of India has notified vide no. FEMA 382/2016-RB that an Indian Party shall make no direct investment under auto route in an overseas entity [set up or acquired abroad directly as Joint Venture /Wholly Owned Subsidiary (JV/WOS) or indirectly as Step Down Subsidiary] located in the countries identified by the Financial Action Task Force (FATF) as "non co-operative countries and territories" as per list available on the FATF website.

(b) Reducing the vulnerability of the financial system is an ongoing process. In 2010 the Financial Action Task Force (FATF) evaluated India's legal and regulatory framework. India was compliant after the Eighth follow up report and was removed from the follow up process in 2013.

The provisions of the Prevention of Money Laundering Act 2002 and its amendment in 2012 are complying with that FATF standards on money laundering. The relevant FATF Recommendations (R) on Money Laundering are as under:

I. R 3&4 - Money Laundering offense and Confiscation
II. R 10 − CDD (Customer Due Diligence)
III. R 12 − PEP (Politically Exposed Persons)
IV. R 19 − High Risk Countries
V. R 20 − Suspicious Transaction Reporting
VI. R 22 & 23 − NFPBs (Not for Profit Business Services)
VII. R 24 & 25 − Legal Persons and Beneficial Ownership
VIII. R 26 − Regulation and Supervision of Financial Institutions